

Message Text

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ACTION L-01

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 2573

INFO AMEMBASSY NICOSIA

C O N F I D E N T I A L ANKARA 1500

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, CPRA, EIND, CY, TU

SUBJ: US PROPERTY INTERESTS IN NORTHERN CYPRUS (CMC)

REF: ANKARA 1484

1. PRIOR TO THE INITIAL DISCUSSION ON FEBRUARY 25 BETWEEN CMC'S ANKARA REPRESENTATIVE (POLAR) AND THE GENERAL MANAGER OF AZOT (AS REPORTED REFTEL), ECONOMIC/COMMERCIAL COUNSELOR ASKED POLAR REPRESENTATIVES FOR FURTHER BACKGROUND ON THIS MATTER. LATTER CONSULTED THEIR FILES ON CABLES AND OTHER CORRESPONDENCE EXCHANGED VARIOUSLY AMONGST, CMC, LQOLAR, AZOT AND CMC'S LONDON AGENTS, MINING AND METALLURGICAL ASSOCIATES, (MAMA). SOME SIGNIFICANT INFORMATION AS TO HOW CURRENT SITUATION DEVELOPED THAT EMERGED FROM THIS DISCUSSION WAS AS FOLLOWS:

A. IN MI-SEPTEMBER 1974, THE CMC REPRESENTATIVE IN CYPRUS DISCUSSED WITH AZOT OFFICIALS THE CONTINUATION OF DELIVERIES UNDER THE THEN EXISTING CONTRACT FOR 75,000 METRIC TONS PLUS OR MINUS 20 PERCENT. (ABOUT 50,000 TONS THEN REMAINED TO BE DELIVERED.) IT WAS AGREED THAT ALTHOUGH CMC COULD NOT APPEAR TO BE DEALING WITH A TURKISH FIRM, AZOT SHOULD ARRANGE TO LOAD FURTHER SHIPMENTS AND ARRANGEMENTS FOR PAYMENT WOULD LATER BE WORKED OUT.

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(POLAR REPRESENTATIVE TOLD E/COM COUNSELOR ON FEBRUARY 10

HE COULD NOT REPEAT NOT CONFIRM EXISTENCE OF SUCH AGREEMENT AS REPORTED ANKARA 1148. HOWEVER, AFTER CONSULTING OTHER POLAR EMPLOYEES AND RECORDS HE CONFIRMS THAT THERE WAS SUCH AN UNDERSTANDING.) CMC SUBSEQUENTLY SENT CABLE SAYING POLITICAL CONSIDERATIONS REQUIRED CANCELLATION OF FURTHER SHIPMENTS AND LATER CABLE SAYING THAT FURTHER SHIPMENTS WERE TAKEN UNDER DURESS. ALL FUTURE COMMUNICATIONS SHOULD BE REFERRED TO MAMA (CMC'S LONDON AFFILIATE).

B. POLAR IN DECEMBER 1974 REQUESTED THAT CMC SUBMIT INVOICES FOR THREE SHIPMENTS (TOTALLING ROUGHLY 20,000 TONS) PICKED UP BY AZOT SUBSEQUENT TO OCTOBER 1974 SO THAT PAYMENT COULD BE MADE UNDER EXISTING LETTER OF CREDIT.

C. AZOT LATER IN DECEMBER ADVISED THAT IT WOULD OPEN LETTER OF CREDIT IN FAVOR OF MAMA IF LATTER WOULD SUBMIT INVOICES.

D. IN JANUARY 1975, MAMA FORWARDED TO POLAR A LETTER FOR DELIVERY TO AZOT REGARDING IMPORPER ACTION BY AZOT. POLAR DID NOT DELIVER THE LETTER AS IT INFORMED MAMA THAT THE CONTENTS WERE INAPPROPRIATE AND WOULD CAUSE RESENTMENT. POLAR AT THE SAME TIME INFORMED MAMA THAT AZOT WAS READY TO MAKE PAYMENT AGAINST DOCUMENTS (INVOICES) FOR ALL PAST SHIPMENTS AND WISHED TO MAKE CONTACT TO PURCHASE ADDITIONAL 184,000 TONS OF ORE.

E. IN APRIL 1975, POLAR INFORMED CMC THAT AZOT WAS READY TO MAKE PAYMENT ANYWHERE IN WORLD AS DESIRED BY CMC BUT THAT IN ORDER TO TRANSFER FUNDS IT NEEDED INVOICES BECAUSE OF TURKISH EXCHANGE CONTROLS.

F. AZOT LATER DISCUSSED SITUATION WITH TURKISH MINISTRY OF FINANCE WHICH AGREED TO RELAX SLIGHTLY PAYMENTS REQUIREMENTS. (INVOICES WERE STILL NEEDED BUT THEY NEED NOT BE TRANSFERRED THROUGH USUAL BANKING CHANNELS.)

G. SUBSEQUENTLY AZOT MADE PAYMENT TO THE TURKISH
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CYPRIOT AUTHORITIES HANDLING MINING MATTERS COVERING APPROXIMATELY 38,000 TONS OF PYRITES ORE (IN 5 SHIPMENTS) CONSIDERED AS FALLING UNDER THE CMC-AZOT CONTRACT AND FOR ALL SUBSEQUENT SHIPMENTS MADE UNDER ARRANGEMENTS WITH THE TURKISH CYPRIOT AUTHORITIES.

2. THE ABOVE INFORMATION WAS PROVIDED INFORMALLY AND WITH

SOME RELUCTANCE BY POLAR FOR EHT EMBASSY'S BACKGROUND.
WE ARE IN TURN REPORTING IT SOLELY FOR BACKGROUND OF US
OFFICIALS HANDLING THIS MATTER. WE DO NOT BELIEVE THAT
FURTHER DISCLOSURE OR USE OF ABOVE INFORMATION IS NECESSARY
AT THIS TIME WHEN DISCUSSIONS BETWEEN POLAR AND AZOT
SEEKING AMICABLE RESOLUTION OF THIS PROBLEM HAVE JUST BEEN
INITIATED. HOWEVER, IF WASHINGTON OFFICIALS WISH TO MAKE
USE OF THIS INFORMATION, THE SOURCE SHOULD NOT REPEAT NOT
BE DISCLOSED AT THIS TIME.
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